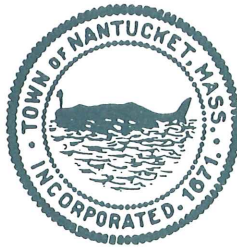


**Town and County of Nantucket**  
**Board of Selectmen • County Commissioners**

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C. Elizabeth Gibson  
Town & County Manager

October 15, 2014

Ann G. Berwick, Chair  
Department of Public Utilities  
One South Station, 5<sup>th</sup> Floor  
Boston, MA 02110

Re: Response to DPU October 3, 2014 Request for Comments  
DPU 14-BSF-D3-A  
(Approval of National Grid Standard Service Rate Increase for November 1, 2014)

Dear Madam Chair:

Please accept this letter as the response of the Town of Nantucket to the Department of Public Utilities' ("DPU" or "Department") October 3, 2014 Notice and Request for Comments from interested stakeholders addressing (1) whether and how any portion of National Grid's standard basic service cost recovery should be deferred to a future basic service term; and (2) other possible means to mitigate the effect on customers of the standard basic service rate increase.

(1) Portions of National Grid's Standard Basic Service Cost Recovery Should Be Deferred to a Future Basic Service Term

Under the current September 23, 2014 DPU rate order, winter rates beginning November 1, 2014, will be dramatically higher than current rates for basic service customers. As more specifically set forth in the October 2, 2014 letter of Jesse S. Reyes, Chief, Office of Ratepayer Advocacy of the Office of the Attorney General, winter rates for National Grid's residential customers will rise by 37% over last year's rate, with Nantucket residents expected to pay nearly double what they do now for electricity supply services.

The Town of Nantucket, as the island's largest electricity consumer, will see present supply rates in December, January, and February increase between 95.1% and 115.1%, resulting in approximately \$155,000 of unforecasted costs in just those three months alone.

Rate increases of this magnitude cannot be absorbed by Nantucket customers, as they will not have had a reasonable amount of time to adjust their power consumption patterns and budgets. Moreover, as the October 2, 2014 letter points out, and as the rate information below makes clear, rate increases of this degree violate the DPU's "rate continuity" precedents, and are therefore impermissible.

The following table summarizes the impact of National Grid's proposed new rate structure upon Nantucket's residents, small businesses, and large industrial consumers:

(SEMA)	Present Supply Rates \$/kWh	Proposed Supply Rates \$/kWh	Supply Rate Increase (%)
Residential (R-1)	\$0.08277	\$0.16182	<b>95.5%</b>
Small Commercial (G-1)	\$0.07758	\$0.15138	<b>95.1%</b>
Large Commercial (G-2)	\$0.08052	\$0.17321	<b>115.1%</b>
Industrial (G-3)	\$0.08052	\$0.17321	<b>115.1%</b>

The inordinate burden upon ratepayers of the Department's September 23, 2014 rate order must be mitigated. As you can see, these rate increases are clearly unreasonable and unmanageable for all Nantucket customers—including residents, businesses, and large users such as our municipality. We urge the Department to work closely with the generation companies and the utilities to explore all options to reduce the impacts of rate increases to reasonable and permissible levels for all rate payers, which should include deferring portions of National Grid's standard basic service cost recovery to a future basic service term.

(2) Other Methods to Mitigate Effects of Rate Increases Upon Customers

(1) The purpose behind the current regulatory framework is to provide a market where ratepayers have the ability to select from among various service and payment options. The problem is that the market is too complex for most ratepayers to comprehend, and therefore most elect to keep the standard basic service option.

(2) Because utilities cannot enter into long-term contracts with gas providers, they cannot undertake long-term planning, and this creates a regulatory trap. The DPU should permit utilities to enter into longer term contracts with gas providers to allow the market to attract investment. Price stability would be more easily achieved if utilities could bid out longer term supply contracts: 1 year versus 3 and 6 months, giving utilities longer cost recovery periods.

(3) Additionally, utilities should be allowed greater flexibility in their supply purchasing strategy to allow them to minimize cost and rate volatility. For example, a utility could choose to enter short-term and long-term contracts, and purchase their supply in "blocks" throughout the year(s) to help even out costs over time.

On behalf of the residents and rate payers of Nantucket, thank you for the opportunity to participate in this process. We look forward to the Department's response, and would appreciate the opportunity to consult further with the Department, or participate in any additional way that would assist it in its deliberations.

Very truly yours,

A handwritten signature in blue ink, appearing to read "C. Elizabeth Gibson". The signature is fluid and cursive, with the first name "C." being small and the last name "Gibson" being more prominent.

C. Elizabeth Gibson, Town Manager  
Town of Nantucket